ANNUAL REPORT 2016-17

IRPP

Looking Forward

Mission

Founded in 1972, the Institute for Research on Public Policy is an independent, national, bilingual, not-for-profit organization. The IRPP seeks to improve public policy in Canada by generating research, providing insight and informing debate on current and emerging policy issues facing Canadians and their governments.

The Institute's independence is assured by an endowment fund, to which federal and provincial governments and the private sector contributed in the early 1970s.

Board of Directors

Chair: GRAHAM SCOTT, Toronto
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GRAHAM FOX (President), Montreal
LEA HANSEN, Toronto
GEORGE E. LAFOND, Victoria
JOHN PARISELLA, Montreal
KIM WEST, Toronto

Financial Highlights

Year ended March 31, 2017 (thousands of dollars)

	2017	2016	2015
Operational budget	2,450	2,410	2,258
Expenses	2,303	2,283	2,258
Operational budget over/under expenses	147	127	0

2016-2017 in Review

23
PUBLICATIONS

11
EVENTS

476 ↑166%
POLICY OPTIONS
ARTICLES

SOCIAL NETWORKS

Twitter followers

8,952

↑50%

Facebook likes

1,148

↑70%

MEDIA MENTIONS

Stories

1,280

↑20%

Op-eds

9

WEBSITE ACTIVITY

Page views

1,043,260

↑37%

Users

476,732

↑46%

Downloads

15,321

REFERENCES TO RESEARCH

613
Academic journal articles

5
Federal government publications

PUBLIC ENGAGEMENT BY IRPP EXPERTS

11
Public presentations

10
Stakeholder consultations

17
Parliamentary activity

Message from the Chair of the Board of Directors GRAHAM SCOTT

It is with great pleasure that I share the 2016-17 annual report with you to celebrate yet another year of innovative policy research and thought-provoking events. This was a year of great accomplishments and growth for the Institute. The transition of the magazine to a digital platform was completed, a new research program was launched, and another research program is being developed. We welcomed new members of staff and bid farewell to a couple of others. On behalf of the Board, I want to thank the IRPP staff for their hard work and commitment to our mission.

Turning to Board business, Ian Clark and Mary Lou Finlay, who both joined the Board in 2009, are stepping down after serving two consecutive mandates. During that time, Ian was chair of the Investment Committee for seven years, and in 2016 he became chair of the Finance and Audit Committee. Mary Lou served from 2010 to 2012 as chair of the Communications Committee and then as a member of the Governance and Nominations Committee. On behalf of my fellow directors, I thank them both for their invaluable contributions to the Board, its committees and the Institute.

Michael Koerner announced this winter that he would be stepping down. He served the Institute for 31 years as a nondirector member of the Investment Committee. His dedication to the IRPP's mission and his huge fount of knowledge and experience were of tremendous value. The Institute has an immeasurable debt toward him. We thank him for his time, his advice, his knowledge and, especially, his wisdom.

Thanks to the hard work and dedication of our Governance and Nominations Committee, and the strong leadership of its chair, Kim Brooks, we welcome four new directors to the Board. Ian Brodie is associate professor in the Department of Political Science at the University of Calgary; between 2005 and 2008 he was chief of staff to the Leader of the Opposition and then to the prime minister. Nancy Olewiler is a professor at the School of Public Policy, Simon Fraser University; she was the school's director from 2003, when it was founded, until 2014. John Parisella is senior adviser, business outreach, at NATIONAL Public Relations (Montreal); he was the executive director of Campus Montreal, which led major fundraising campaigns for HEC Montréal, Polytechnique Montréal and the Université de Montréal. Kim West is a partner and chief client officer at NATIONAL Public Relations (Toronto); previously she built a successful communications firm in Atlantic Canada, which she and her partners sold to NATIONAL in 2012.

On behalf of the Board, I extend a warm welcome to the new directors and look forward to working with them on the IRPP's next priorities and challenges.

Message from the President GRAHAM FOX

For the last 45 years, the IRPP's mission has been to improve public policy in Canada by generating research, providing insight and informing debate on current and emerging policy issues facing Canadians and their governments. Today — perhaps more than at any other time, in this era of Big Data, deliverology and fake news — it is essential that decision-makers have access to the best and most relevant research in a timely fashion.

The Institute continues to shape the debate in areas such as income inequality, parental benefits, care for seniors, global commerce and the changing federal community. These issues are central to the policy agenda of our governments, and ones in which we believe the IRPP can make the most useful contribution.

This has been an exciting and eventful year for the Institute. Over the last 12 months, the IRPP published 23 studies and reports and held 11 events and webinars that helped expand our reach in more communities across Canada. In *Policy Options* we published a record-breaking 476 articles — representing more than 100,000 page views in the month of March alone. Media coverage of our activities increased by 20 percent this year, and page views of our website increased by 37 percent.

In the fall, the IRPP welcomed Joanne Castonguay as a research director. Under her leadership, the Institute is designing a new research program on the demand side of Canada's innovation conundrum, which we will launch in the coming months. We bid farewell to research director Nicole Bernier. Her contributions to our work on age-friendly communities and caregiving have provided much needed analysis and perspective on the challenges of Canada's aging population. We also said goodbye to research assistant David Deault-Picard, whose work and dedication we much appreciated. We wish them both every success in their new endeavours.

As always, the IRPP's successes over the past year are the result of the hard work and talent of our staff. I would like to thank them for their unwavering dedication to the Institute's mission and their willingness to set ever more ambitious goals.

Canada's Changing Federal Community

Research director F. LESLIE SEIDLE

Launched this year, this research program brings together Canadians from different regions and backgrounds to explore the achievements of the Canadian federal system and the challenges that lie ahead. In addition to encouraging research and public discussion on key elements of Canadian federalism — institutions, intergovernmental relations and fiscal arrangements — the program devotes particular attention to Indigenous perspectives and governance. It also examines how key elements of community — living together with others from different backgrounds, sharing and adaptation — have been and will remain central to the country's development.

Bilateral Health Agreements between the Federal and Provincial/Territorial Governments in Canada

As tensions mounted between Ottawa and the provinces over health care funding, this timely analysis by Gregory Marchildon argues that properly designed bilateral health transfer agreements could encourage innovation and enhance overall performance in the Canadian health care system. Published in the run-up to the First Ministers' Meeting in December 2016, it helped inform governments and others about the history of such agreements and their feasibility in current circumstances. Since then, all provinces and territories (except Manitoba) have reached bilateral deals with the federal government on targeted health care funding.

Indigenous Peoples, Canada and the Possibility of Reconciliation

Following the December 2015 report of the Truth and Reconciliation Commission and the change of government in November 2015, reconciliation with Canada's Indigenous peoples has become a political project that, in David Newhouse's words, "has moved from words to action." Newhouse, a leading Indigenous scholar, provides an informative account of key developments that led to the reconciliation agenda, including the legacy of colonialism, Indigenous mobilization and judicial rulings. Newhouse calls for those who lead Canada's public institutions to spearhead the reconciliation effort and help promote change within Canadian society as a whole. One of the prerequisites for this process to unfold is a policy community that is knowledgeable about Indigenous political objectives and desires.

PUBLIC AND STAKEHOLDER ENGAGEMENT

IIRPP experts shared insights from their research with the House of Commons Special Committee on Electoral Reform, the Canadian Embassy in Berlin, the Public Administration and Constitutional Affairs Committee of the UK House of Commons, the McGill Institute for the Study of Canada and Queen's University.

PUBLICATIONS

Harper without Jeers, Trudeau without Cheers: Assessing 10 Years of Intergovernmental Relations
Christopher Dunn (September 8, 2016)

Canada's Equalization Policy in Comparative Perspective
Daniel Béland and André Lecours (September 15, 2016)

Provincial/Territorial Governments and the Negotiation of International Trade Agreements
Christopher J. Kukucha (October 18, 2016)

Indigenous Peoples, Canada and the Possibility of Reconciliation
David Newhouse (November 17, 2016)

Carbon Pricing and Intergovernmental Relations in Canada
Tracy Snoddon and Debora VanNijnatten (November 23, 2016)

Bilateral Health Agreements between the Federal and Provincial/Territorial Governments in Canada
Gregory Marchildon (December 6, 2016)

Collaboration and Unilateral Action: Recent Intergovernmental Relations in Canada
Robert Schertzer, Andrew McDougall and Grace Skogstad (December 13, 2016)

Coming into Its Own? Canada's Council of the Federation, 2003-16
Emmet Collins (March 26, 2017)

EVENT

IRPP Webinar: "Canada's Equalization Policy in Comparative Perspective" (September 28, 2016)

IRPP Webinar: "Bilateral Health Agreements between the Federal and Provincial/Territorial Governments in Canada" (October 28, 2016)

Faces of Aging Research director FRANCE ST-HILAIRE

The aging of Canada's population will present a host of complex social and economic challenges for governments at all levels over the next few decades. The Faces of Aging program examines this demographic phenomenon and its implications for public policy and society at large.

No Place to Grow Old: How Canadian Suburbs Can Become Age-Friendly

With Canada's population aging rapidly, municipalities must rethink development in order to deal with the impact of decades-old car-dependent suburban sprawl, which leaves less-mobile seniors isolated, says urban planning expert Glenn Miller. According to Miller, amending provincial planning policies to make age-friendly policies a municipal priority would complement other provincial policies favouring compact, walkable development and promoting aging at home. Collaboration in provincial and municipal initiatives will be the key to successfully adapting suburbs and transportation networks to meet the needs of Canada's aging population.

Improving Prescription Drug Safety for Canadian Seniors

Seniors are the heaviest users of prescription medicines in Canada. Yet it is estimated that as much as half of the medications given to seniors are taken incorrectly or are overprescribed. According to Nicole Bernier, Canada needs a national strategy to address inappropriate prescribing practices that lead to the unsafe use of medications by seniors. Building on the 2015 recommendations of the Senate Committee on Social Affairs, Science and Technology, she calls on Health Canada to play a more proactive role, which should include revising the drug approval process, monitoring newly marketed drugs prescribed to seniors, improving reporting on adverse drug reactions, and encouraging independent research into off-label prescription drug use.

POLICY IMPACT

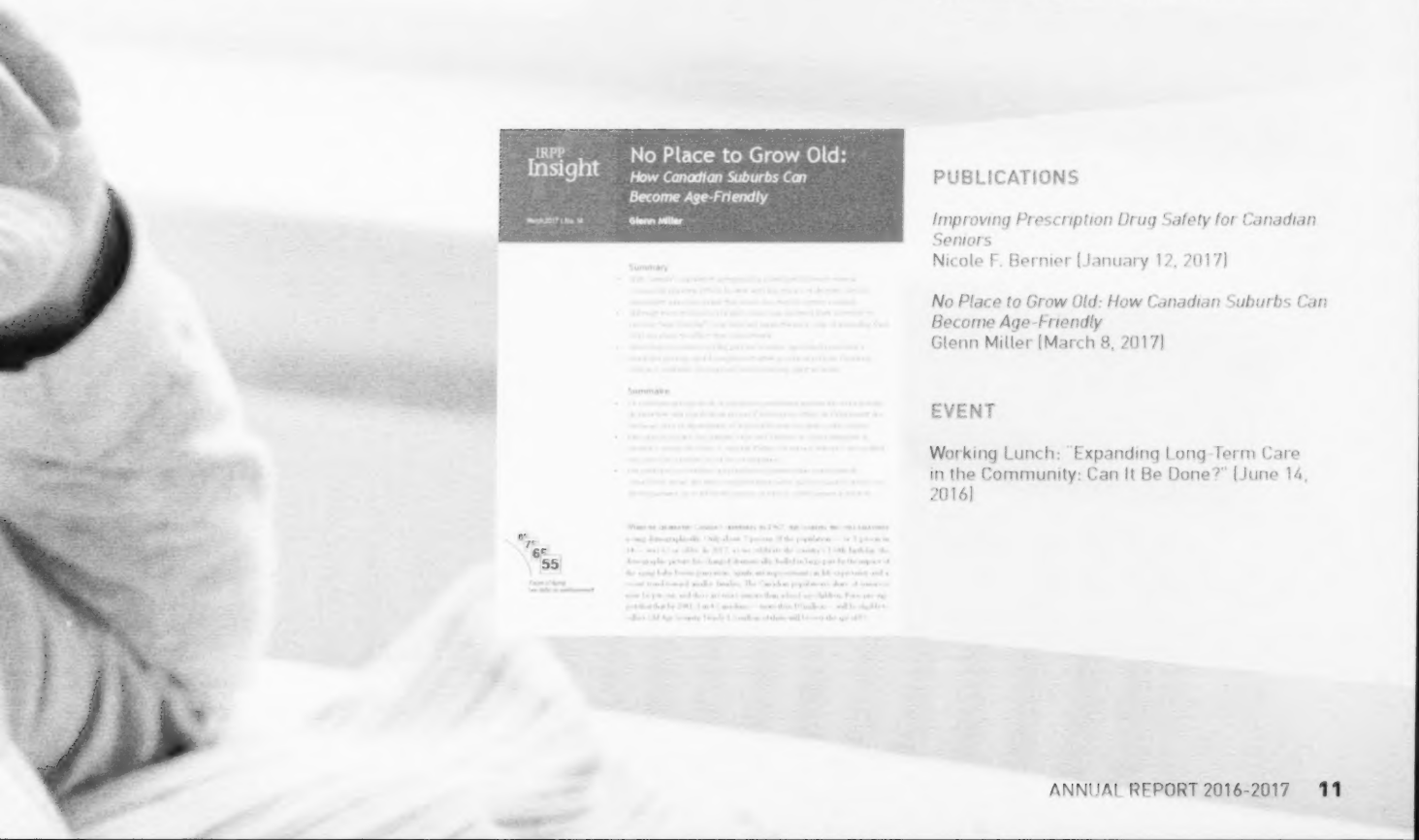
Following the publication of Glenn Miller's paper, an agreement was reached in Toronto to propose a council resolution that would commit the city to incorporating age-friendly policies into its official development plan. If the resolution is passed, this would make Toronto the first large city in Ontario to make such a move. In the meantime, the city will take steps to add age-friendly policies to several high-profile secondary plans that come before council in the near future.

PUBLIC AND STAKEHOLDER ENGAGEMENT

IRPP experts shared insights from their research with Simon Fraser University's Gerontology Research Centre, the BC Care Providers Association, and senior policy advisers to the Ontario Minister of Municipal Affairs.

MEDIA MENTIONS

The IRPP's work on age-friendly urban planning was mentioned over 80 times in news stories across the country, with a potential audience reach of 9.11 million.



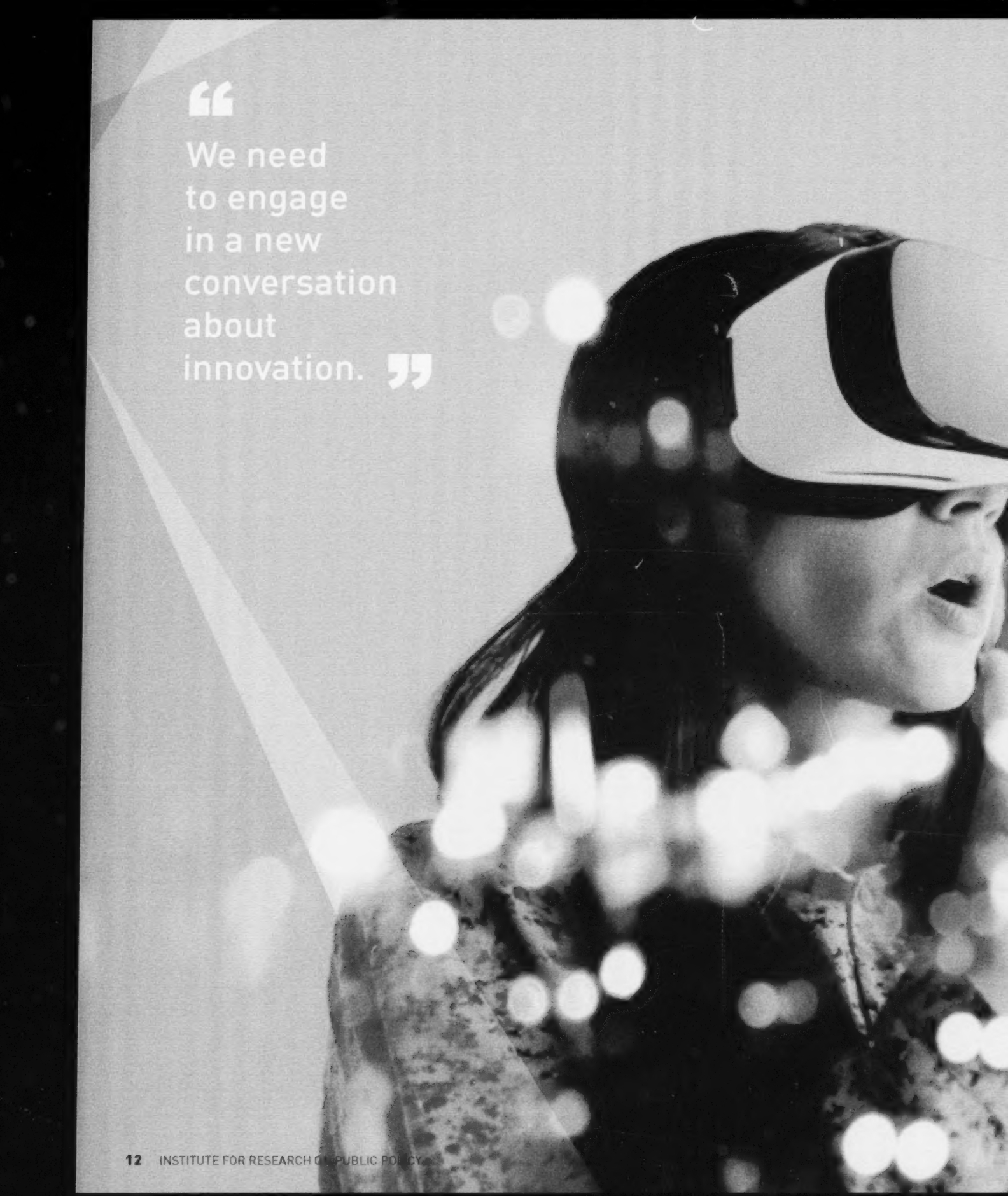
PUBLICATIONS

Improving Prescription Drug Safety for Canadian Seniors
Nicole F. Bernier (January 12, 2017)

No Place to Grow Old: How Canadian Suburbs Can Become Age-Friendly
Glenn Miller (March 8, 2017)

EVENT

Working Lunch: "Expanding Long-Term Care in the Community: Can It Be Done?" (June 14, 2016)


“We need to engage in a new conversation about innovation.”

Meeting Canada's Innovation Challenge

Research director JOANNE CASTONGUAY

In the coming months, the IRPP will launch a new research program focusing on the demand side of innovation, its implications for economic growth, and the potential role of policy in facilitating or hindering this demand.

Massive changes brought about by global trade and technological change have reinforced the need for businesses and governments to become more innovative. And other pressures, such as aging population, environmental challenges and slowing labour force growth, mean that countries all over the world must increase their economic growth through improvements in productivity.

Canada, like many other advanced economies, has placed innovation at the centre of its economic growth strategy. Yet, over the past two decades, the results of innovation policies put forward by consecutive governments have been underwhelming: business spending on R&D continues to be weak and productivity growth is in decline.

Today there is growing recognition within government circles and beyond that we need to engage in a new conversation about innovation. Ensuring an adequate supply of innovation is crucial, but so too is ensuring that there is a strong market for it. What are the factors that motivate firms/organizations to invest in innovation? And what explains their decisions to not do so? Shedding light on these questions and making progress on this front will require a shift in our understanding of the innovation process, developing effective policies to support this process, and assessing those policies' impact on productivity and growth.

International Trade and Global Commerce Research director STEPHEN TAPP

This research program examines how changes in world trade and investment, technology, and economic and geopolitical power are affecting Canada, and what this means for policy. The ultimate objective is to foster the development of a forward-looking, medium-term policy agenda that will enable Canada to engage more effectively in the global economy.

As part of this important multi-year research initiative, the IRPP released over the past two years 25 research studies, destined to be part of volume 6 of The Art of the State. Entitled *Redesigning Canadian Trade Policies for New Global Realities*, the volume is edited by Stephen Tapp, Ari Van Assche and Robert Wolfe, and will be published in May 2017.

Inclusive Trade, Inclusive Development: Opportunities for Canadian Leadership

Dramatic shifts in the world economy are creating new tensions but also new opportunities for reinvigorating the trading system, advancing inclusive growth and reducing poverty in developing countries. According to Margaret Biggs, Canada has a vital interest in pressing for open and inclusive trade, and supporting the integration of developing and emerging economies into the global trading system. To do so, Canada should be a leader on trade and investment facilitation, prioritize inclusive trade in its development efforts, promote two-way trade and investment with developing economies, and ensure that its social policies are sufficiently robust to support an open and inclusive economy.

Canadian Trade Policy in a G-Zero World: Preferential Negotiations as a Natural Experiment

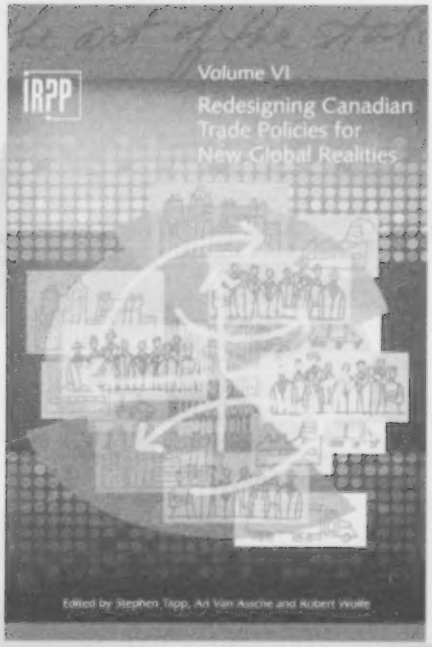
As regional trade negotiations become more contentious in the context of Brexit and anti-NAFTA rhetoric in the United States, strengthening the World Trade Organization should be a central objective of Canadian trade policy, says Robert Wolfe. While negotiators have largely shifted their efforts toward preferential trade agreements like the Comprehensive Economic and Trade Agreement and the Trans-Pacific Partnership, these are unlikely to be useful in building a more coherent global trading system. Strengthening the World Trade Organization will require moving past the long-standing obstacles to agreement on old issues and bringing new policy issues into the mix. A key element will be to negotiate with, rather than around, China, the world's largest trader.

POLICY IMPACT

A recent report by the Senate Committee on Foreign Affairs and International Trade, entitled *Free Trade Agreements: A Tool for Economic Prosperity*, cites 10 of the authors contributing to *Redesigning Canadian Trade Policies for New Global Realities*.

PUBLIC AND STAKEHOLDER ENGAGEMENT

IRPP experts shared insights from their research with the Senate Committee on Foreign Affairs and International Trade, the Queen's Institute on Trade Policy and the Canadian Economics Association.


IRPP
Volume VI
Redesigning Canadian Trade Policies for New Global Realities
Edited by Stephen Tapp, Art Van Assche and Robert Wolfe

PUBLICATIONS

Is More Trade Liberalization the Remedy for Canada's Trade Woes?
Jim Stanford (April 14, 2016)

Small Business Traders in Canada
Ted Mallett (May 12, 2016)

Technology-Enabled Small Business Trade in Canada: New Evidence from eBay Marketplaces
Usman Ahmed and Hanne Melin (July 26, 2016)

The Restrictiveness of Canada's Services Trade Policy in an International Context
Sébastien Miroudot (August 2, 2016)

The Potential to Enhance Canada's Services Trade in CETA, TPP and TiSA
Erik van der Marel (August 3, 2016)

Canadian Trade Policy in a G-Zero World: Preferential Negotiations as a Natural Experiment
Robert Wolfe (September 13, 2016)

Navigating the Maze: Canada, Rules of Origin and the Trans-Pacific Partnership
Andrew (Sandy) Moroz (September 29, 2016)

Going Global: Canadian SME Trade and Emerging Markets
Sui Sui and Stephen Tapp (October 13, 2016)

How Gender Affects SMEs' Participation in International Trade
Arancha González (November 3, 2016)

Inclusive Trade, Inclusive Development: Opportunities for Canadian Leadership
Margaret Biggs (December 19, 2016)

Canadian Investment Treaty Policy: Stay the Course on Progressive Developments
Andrew Newcombe (January 18, 2017)

EVENT

Round Table (in collaboration with the University of British Columbia): "Coordinating Performance in International Trade and Human Rights" (May 5, 2016)

Skills and Labour Market Policy Research director FRANCE ST-HILAIRE

This research program aims to provide an integrated and long-term analytical perspective on the policy challenges that will arise over the next decade as Canadian labour markets respond to population aging, technological progress and changing skill needs.

Parental Benefits in Canada: Which Way Forward?

In the 2017 federal budget the government announced changes to EI maternity and parental benefits to provide more flexibility for working parents. Parents will be able to extend the period during which they receive parental benefits from 12 to 18 months, albeit at a lower benefit rate. In her study, released in the run-up to the federal budget, Jennifer Robson provides an in-depth assessment of the gaps in EI maternity and parental benefits and the reforms necessary to keep pace with the needs of Canadian families and changes in the labour market. She concludes that without additional reforms, the changes proposed in the budget will not benefit low-income families. She calls for more inclusive eligibility criteria, targeted income support for low- and modest-income families through the Family Supplement, better coordination of parental leave and child benefits, and better incentives for employers to top up leave benefits for their employees.

Inclusive Employment for Canadians with Disabilities: Toward a New Policy Framework and Agenda

More than 400,000 working-age adults with physical or mental disabilities who are able and willing to participate in the labour force are currently unemployed in Canada. Canadians with disabilities should have access to real work for real pay, and their rights should be protected on an equal basis with other workers, says Michael Prince. Prince proposes a six-point action plan for governments to promote inclusive employment opportunities for people with disabilities: 1) renew the Canadian vision on disability and citizenship, 2) improve school-to-work transition planning for youth, 3) increase post-secondary education, 4) improve workplace practices, 5) enhance employment services and supports, 6)modernize federal-provincial labour market agreements.

POLICY IMPACT

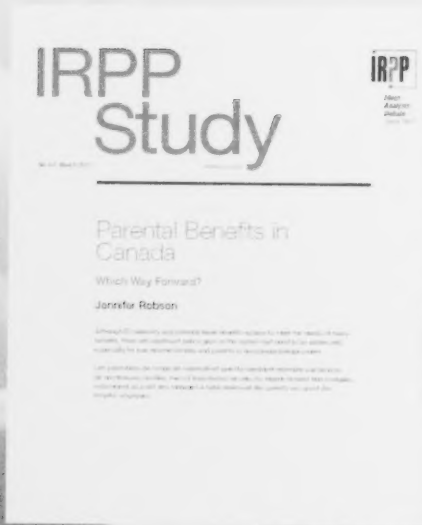
The House of Commons Standing Committee on the Status of Women adopted the IRPP's study on parental benefits as a reference document.

PUBLIC AND STAKEHOLDER ENGAGEMENT

IRPP experts shared insights from their research with the Prime Minister's Office, Employment and Social Development Canada, Inclusion BC, and the Canadian Association for Community Living.

MEDIA MENTIONS

The IRPP's research on parental benefits was mentioned over 180 times in news stories from coast to coast, with a potential audience reach of over 44 million.



PUBLICATIONS

Inclusive Employment for Canadians with Disabilities: Toward a New Policy Framework and Agenda
Michael J. Prince (August 11, 2016)

Parental Benefits in Canada: Which Way Forward?
Jennifer Robson (March 15, 2017)

Policy Options Editor-in-chief JENNIFER DITCHBURN

The story of the last year at *Policy Options* was one of building on momentum. With the transition from print to digital complete, the team has been able to focus on making our internal processes more efficient, boosting the volume and quality of the content, and expanding public awareness of the magazine.

On the content side, the number of articles we published weekly increased exponentially. This increase, together with the hard work of the communications team on social media platforms, increased the magazine's readership, which by the end of fiscal 2016-17 reached more than 100,000 page views.

Policy Options also began a public workshop series centred on the idea of demystifying the complexity of policy. Focusing on specific areas, the first workshop, "How to Read a Federal Budget," included three very different presentations on how to look beyond the promotional material that frames the budget document. The second workshop, "Understanding the *Indian Act*," a sold-out event, featured three panellists who were experts on this severely outdated, but all-powerful, legislation.

Always ahead of emerging public policy issues, the magazine featured lengthy series on such topics as the changing nature of work, the future of Canadian journalism, international assistance, and electoral reform. The voices published reflected a balance of women and men. *Policy Options* continues to prioritize a greater diversity of writers in our pages, including Indigenous people.

Looking to the future, *Policy Options* will explore ways to reach readers using different social media platforms, and to enhance the readers' experience on mobile devices.

Communications Communications coordinator SHIRLEY CARDENAS

Today, as governments grapple with ever more complex issues, and with fewer venues for thoughtful discussion, the IRPP's role as a convener of policy debates is more important than ever. Our experts are seen and heard on leading current affairs programs and published in opinion pages from coast to coast, as the Institute continues to shape Canada's most important policy conversations.

This year the news coverage of our research increased by 20 percent, and there were 1,280 mentions of our work in newspapers and broadcasts across the country. Our website traffic increased by 46 percent, from 325,581 to 476,732 users, which resulted in over 1,043,260 page views. Much of this traffic was driven by social media, which saw dramatic increases: our Twitter following grew by 50 percent, and our Facebook increased by 70 percent.

Over the past 12 months, the IRPP launched a social media strategy, refreshed the Policy Options logo, and used new monitoring tools to provide more comprehensive reporting on the coverage of the Institute's work. We also continued to improve the design of our website, including optimizing it for social media sharing, and we enhanced the communication of the Institute's research through infographics, videos and podcasts. With these and other tools, the IRPP is forging ahead to bring diverse perspectives on important policy matters into Canadians' homes, schools and workplaces.

Other Publications and Events

Working Lunch: "Canada's Innovation Conundrum: Five Years After the Jenkins Report" (June 9, 2016)

Report: "Canada's Innovation Conundrum: Five Years After the Jenkins Report" by Andrei Sulzenko (June 9, 2016)

Book Launch: *Two Freedoms: Canada's Global Future*
Hugh Segal (April 14, 2016)

Report of the Investment Committee

Chair LEA HANSEN / Members MICHAEL DECTER, MICHAEL KOERNER, BOB LUBA, LOUISE POIRIER-LANDRY

The objective of the IRPP's Endowment Fund is to support the Institute's work. The Investment Committee seeks to maintain the real value (after inflation) of the Fund, so that it can continue to provide financial support to the Institute. The role of the Investment Committee is to advise the Board of Directors on the Institute's investment strategy; to consider and recommend the appropriate asset mix of the Endowment Fund; to select external investment managers and hold them accountable for their performance (both return and risk) in meeting the mandate objectives; and to act as a resource for the Board on investment-related matters.

The Committee and the Board have always recognized that supporting the Institute's current operations and protecting the Fund's real value may be competing objectives. For this reason, through the years the Institute has used different approaches and formulas to determine the amount released annually from the Endowment Fund to support the Institute's operations. For example, beginning in 1987, the Board decided that rather than using the actual income generated by the Fund in any one year, the Institute would withdraw an amount equal to 8 percent of the average of the last three years of the Fund's capital value, measured at fiscal year-end. That amount was decreased to 5 percent by 1994, then raised to 5.5 percent for 1997-2000, and 6 percent for 2005-07.

Following the global financial crisis of 2008-09, the Board decided to again gradually reduce the rate of draw from 5 percent to the current 4 percent. At that same time, to further reduce the transmission of portfolio volatility onto the amount released annually from the Endowment Fund to support the operations, a modified Yale Formula was selected for the spending policy. This formula consists of taking 80 percent of the allowable spending in the prior fiscal year, increased by the rate of inflation (as measured by the Consumer Price Index) for the 12 months ending December 31; and 20 percent of the long-term spending rate applied to the four-quarter market average of the endowment for the period ending December 31 prior to the start of the current fiscal year.

In 2012, the decision was made to move away from balanced to specialty investment mandates and to change the asset mix allocation from 60 percent equities and 40 percent fixed income, to 70 percent equities (consisting of 30 percent Canadian, 20 percent US, and 20 percent non-North American equities, or EAFE) and 30 percent fixed income. To manage the equities portion of the portfolio, the Committee hired Burgundy Asset Management in January 2013. In June 2014, the Committee hired Philips, Hager and North Investment Counsel to manage the fixed-income portion, 25 percent of which is invested in commercial mortgages.

As the Committee continued to explore different options and strategies to increase the risk-adjusted long-term returns, it decided to invest approximately 10 percent of the fund in the Bentall Kennedy Prime Canadian Property Fund (which includes income-producing office, distribution and warehouse, retail and multi-family properties) over the coming year, beginning in April 2017. This shift reflects the Committee's view that bond returns are expected to remain low and concerns about the potential that interest rates will rise. As a result, the asset allocation will be approximately 70 percent equities, 20 percent bonds, and 10 percent real estate.

For fiscal year 2016-17, the base draw from the Endowment Fund amounted to $1,718,346 – a modest increase over the previous year representing almost 70 percent of operating costs. In addition, as a result of a decision made by the Board in December 2014, effective for three fiscal years and ending in March 2018, an additional $500,000 was drawn from the Fund as a temporary measure to allow management to focus on the long-term development of the Institute.

Strong equity markets, especially in North America, offset weaker bond returns. This strong performance resulted in a 12.2 percent increase, before investment fees and draw; and a 5.9 percent increase, after fees and the draw for the year's operations, in the Endowment Fund's market value in 2016-17.

The Committee is very proud of achieving one of the highest market values for the endowment in the IRPP's history, having more than recovered from the significant market declines of 2008. Over the 45 years of the IRPP's existence, the Fund has provided more than $75 million to the Institute's operations.

As of March 31, 2017, the Fund's combined market value amounted to $43,028,613. The current asset mix is reported in the table on the next page.

ENDOWMENT FUND — ASSET MIX

			Range	Policy
	$	%	%	%
Canadian equities	12,462,724	29.0	25-35	30.0
US equities	9,977,500	23.2	15-25	20.0
Non-North American equities (EAFE)	9,288,054	21.6	15-25	20.0
Total equities	**31,728,278**	**73.8**	**60-80**	**70.0**
Enhanced total return bonds	8,711,648	20.2	-	22.5
Mortgages	2,588,687	6.0	-	7.5
Total fixed income	**11,300,335**	**26.2**	**20-40**	**30.0**
Total	**43,028,613**	**100.0**		

ENDOWMENT FUND — HIGHLIGHTS

	Fiscal year				
	2017	**2016**	**2015**	**2014**	**2013**
Market value	$43,028,613	$40,664,295	$42,965,969	$39,535,138	$35,410,577
Return (before draw and fees)	12.2%	0.7%	14.0%	17.8%	8.6%
Return (after draw and fees)	5.9%	-5.4%	8.7%	11.6%	2.9%
Spending (excludes fees)*	$2,218,346**	$2,216,765**	$1,713,855	$1,861,465**	$1,815,499
Operating budget	$2,489,927	$2,410,034	$2,266,242	$2,268,301	$2,505,499
Endowment Fund contribution	69.0% 89.1%**	71.2% 91.9%**	75.6%	77.7% 82.1%**	72.5%

*The amount drawn from the EF for operations is calculated using a modified Yale Formula.
**Includes an additional draw from the EF as authorized by the Board of Directors.

LONGER-RUN IRPP ENDOWMENT RETURNS

(compound annual average growth, after draw and fees)

Years	
1	5.9%
2	0.1%
3	2.9%
4	5.0%
5	4.6%
10	0.2%

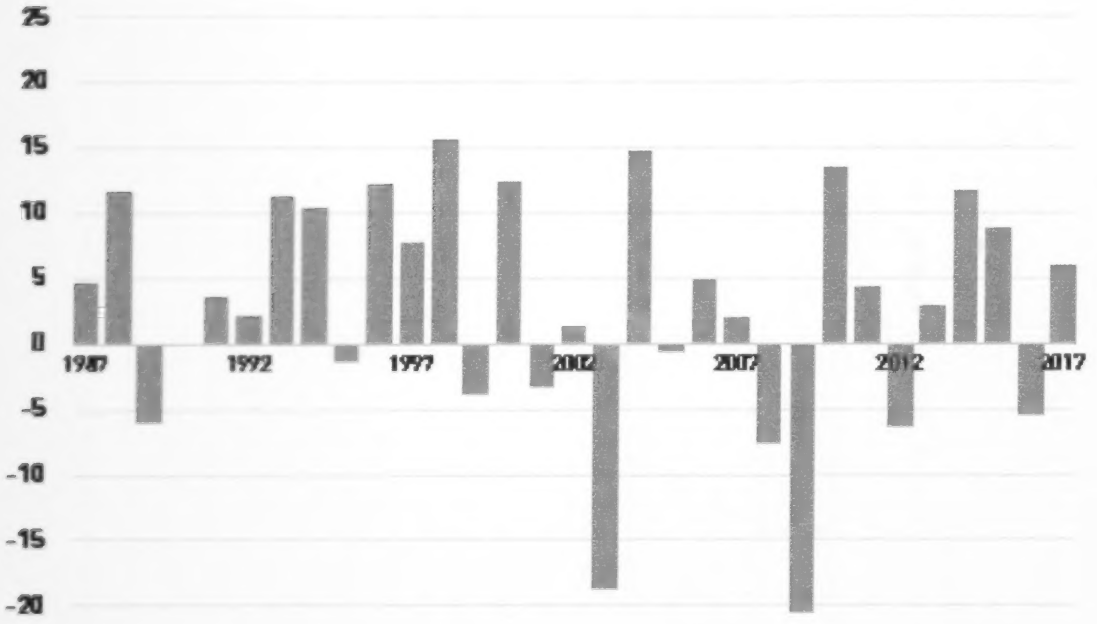
VALUE OF THE IRPP ENDOWMENT, 1974-2017

(millions of dollars)

Note: The exceptionally strong growth in the 1970s is due in part to major capital contributions.

GROWTH OF THE IRPP ENDOWMENT, 1986-2017

(annual percent change, after draw for operations and management fees)



Independent Auditor's Report

To the Board of Directors of Institute for Research on Public Policy

We have audited the accompanying financial statements of Institute for Research on Public Policy, which comprise the balance sheet as at March 31, 2017, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Institute for Research on Public Policy as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Institute for Research on Public Policy for the year ended March 31, 2016, were audited by another auditor who expressed an unqualified opinion on those statements on June 7, 2016.

Nexia Friedman LLP[1]

Chartered Professional Accountants

Montréal, Québec
June 6, 2017

[1] CPA auditor, CA, public accountancy permit no. A124456

Balance Sheet As at March 31, 2017

	2017	2016
	$	$
ASSETS		
Current		
Cash	**161,865**	-
Accounts receivable (note 3)	**391,716**	271,323
Prepaid expenses	**26,968**	9,148
	580,549	280,471
Investments (note 4)	**43,028,613**	40,664,697
Tangible capital assets (note 5)	**14,865**	13,785
	43,624,027	40,958,953
LIABILITIES		
Current		
Bank indebtedness	**-**	9,668
Accounts payable and accrued liabilities (note 7)	**124,393**	113,701
Deferred contributions (note 8)	**45,622**	45,622
	170,015	168,991
NET ASSETS		
Restricted for operations	**43,234,380**	40,590,177
Unrestricted	**219,632**	199,785
	43,454,012	40,789,962
	43,624,027	40,958,953

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

Director

Director

Changes in Net Assets For the year ended March 31, 2017

			2017	2016
	Restricted for operations	Unrestricted	Total	Total
	$		$	$
Balance, beginning of year	**40,590,177**	**199,785**	**40,789,962**	42,884,268
Excess (deficiency) of revenues over expenditures	**-**	**2,664,050**	**2,664,050**	(2,094,306)
Transfer (note 9)	**2,644,203**	**(2,644,203)**		
Balance, end of year	**43,234,380**	**219,632**	**43,454,012**	40,789,962

The accompanying notes are an integral part of the financial statements.

Revenues and Expenditures For the year ended March 31, 2017

	2017	2016
	$	$
REVENUES		
Contributions	**77,328**	164,715
Publications and events	**21,766**	8,659
Policy Options events	**4,315**	11,322
Policy Options advertising	**1,232**	8,574
	104,641	193,270
EXPENDITURES		
General research and support services	**1,797,877**	1,811,431
Policy Options	**416,394**	402,246
Other publications	**73,067**	52,626
Interest and bank charges	**6,260**	5,570
Amortization of tangible capital assets	**9,542**	11,583
	2,303,140	2,283,456
Deficiency of revenue over expenditures from operations	**(2,198,499)**	(2,090,186)
Net investment income		
Changes in fair value of investments	**3,724,229**	(1,048,767)
Dividend income	**1,449,008**	1,418,515
Transaction costs	**(310,688)**	(373,868)
	4,862,549	(4,120)
Excess (deficiency) of revenues over expenditures	**2,664,050**	(2,094,306)

The accompanying notes are an integral part of these financial statements.

Cash Flows For the year ended March 31, 2017

	2017	2016
	$	$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	**2,664,050**	(2,094,306)
Items not affecting cash:		
Amortization of tangible capital assets	**9,542**	11,583
Changes in fair value of investments	**(3,356,914)**	1,648,271
Write-off of obligation under capital lease	**-**	(4,115)
	(683,322)	(438,567)
Net change in noncash working capital items (note 11)	**(127,521)**	(12,942)
	(810,843)	(451,509)
INVESTING ACTIVITIES		
Acquisition of investments	**(1,765,926)**	(1,986,730)
Proceeds of disposal of investments	**2,758,924**	2,597,450
Acquisition of tangible capital assets	**(10,622)**	(3,745)
	982,376	606,975
FINANCING ACTIVITIES		
Repayment of obligation under capital lease	**-**	(654)
Increase in cash and cash equivalents	**171,533**	154,812
Cash and cash equivalents, beginning of year	**(9,667)**	(164,479)
Cash and cash equivalents, end of year	**161,866**	(9,667)

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements March 31, 2017

1. PURPOSE OF THE ORGANIZATION

The Institute for Research on Public Policy is a nonprofit organization whose mission is to improve public policy in Canada by generating research, providing insight and sparking debate that will contribute to the public policy decision-making process and strengthen the quality of the public policy decisions made by Canadian governments, citizens, institutions and organizations. The organization is incorporated under part II of the *Canada Corporations Act* and is a registered charity under the *Canadian Income Tax Act* and *Quebec Taxation Act* and accordingly is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in part III of the *CICA Accounting Handbook*, hereafter referred to as "ASNPO," and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenditures for the periods covered. The main estimates relate to the useful life of the tangible capital assets. Actual results could differ from these estimates.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are deferred and are recognized as revenue in the year in which the related expenses are incurred and are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Advertising revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered and the price is fixed or reasonably assured, on a straight-line basis over the duration of the contract, once advertising is edited. The liability relating to the received but unearned portion of revenues is recognized in the balance sheet as sponsorship revenue collected in advance.

Publications and events revenue are recognized when persuasive evidence of an arrangement exists, merchandise is sold, services have been rendered, and the price is fixed or reasonably assured. The liability relating to the received but unearned portion of revenues is recognized in the balance sheet as publications and events revenue collected in advance.

Other revenue is recognized when persuasive evidence of an arrangement exists, title has passed or services have been rendered, the price is fixed or reasonably assured and is earned.

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Interest income is recognized on a time apportionment basis, dividend income is recognized as of the ex-dividend date and changes in fair value are recognized when they occur.

The Organization has elected to include in changes in fair value of investments interest income (including amortization of bond investment premiums and discounts) and the interest in net income of pooled funds.

Cash and cash equivalents

The cash and cash equivalents consist of bank accounts and short-term investments with maturity dates of three months or less.

Allocation of expenses

Salaries and other expenses considered to be partially related to *Policy Options* activities are allocated to *Policy Options* expenses.

Tangible capital assets and intangible asset

Tangible capital assets are recorded at cost and amortized over their estimated useful life using the straight-line method at the following rates:

Computer equipment	33%
Office equipment	20%

Impairment of long-lived assets

Long-lived assets, which comprise tangible capital assets, are reviewed for impairment when certain events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Foreign exchange

The Organization follows the temporal method to translate its foreign currency balances and transactions into Canadian dollars. Under this method, monetary assets and liabilities are translated at the rates of exchange in effect at year-end and the other balance sheet items and income statement items are translated at the monthly average exchange rates. Exchange gains and losses are included in excess of revenues over expenditures for the period.

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value, adjusted by, in the case of financial instruments that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are expensed in the year they are incurred.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity and bond instruments that are quoted in an active market, which are measured at fair value. The organization has elected to carry pooled fund investments and bond investments at fair value. The fair value of investments is based on closing prices. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in revenue.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenues over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess of revenues over expenditures.

3. ACCOUNTS RECEIVABLE

	2017	2016
	$	$
Trade	**2,891**	1,224
Dividends receivable	**184,628**	63,199
Accounts receivable on disposal of investments	**146,100**	145,259
Sales taxes receivable	**58,187**	61,642
	391,716	271,323

4. INVESTMENTS

Investments consist of pooled equity and bond funds as well as mortgages and are carried at a fair value of $43,028,613 (2016 - $40,664,697) with a cost of $33,759,579 (2016 - $34,085,758).

	2017	2016
	$	$
Canadian pooled equity funds	**12,462,724**	11,346,697
United States pooled equity funds	**9,977,500**	8,726,000
Other foreign pooled equity funds	**9,288,054**	8,773,000
Bond pooled funds and mortgages	**11,300,335**	11,819,000
	43,028,613	40,664,697

5. TANGIBLE CAPITAL ASSETS

	2017		
	Cost	Accumulated amortization	Net
	$	$	$
Computer equipment	**411,797**	**397,713**	**14,084**
Office equipment	**138,873**	**138,092**	**781**
	550,670	**535,805**	**14,865**

	2016		
	Cost	Accumulated amortization	Net
	$	$	$
Computer equipment	401,174	390,371	10,803
Office equipment	138,873	135,891	2,982
	540,047	526,262	13,785

6. FINANCING FACILITY

The Organization has a line of credit of $470,000, which is reviewed annually with the bank.

Bank indebtedness, outstanding at any time, is due on demand, unsecured and bears interest at 1% over the bank's prime lending rate.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
	$	$
Trade and accrued liabilities	**124,393**	113,701

There were no government remittances payable as at March 31, 2017 and 2016.

8. DEFERRED CONTRIBUTIONS

	2017	2016
	$	$
Fifth Decade Fund		
Balance, beginning of year	**45,622**	45,622
Amount recognized in operations	**-**	-
Amount received during the year	**-**	-
Balance, end of year	**45,622**	45,622

The Fifth Decade Fund represents amounts received and restricted for purposes at the discretion of the President and approved by the Board of Directors.

9. RESTRICTIONS ON NET ASSETS AND TRANSFER

The net assets restricted for operations, and subject to internally imposed restrictions by the Board of Directors, must be maintained to finance the organization's operations. To finance the operations of the Organization, the Board of Directors authorizes an annual transfer of resources from restricted net assets to unrestricted net assets. This transfer of resources is determined using a formula approved by the Board of Directors.

	2017	2016
	$	$
Annual draw as per predetermined formula	**1,718,346**	1,716,765
Special amount approved by the board	**500,000**	500,000
	2,218,346	2,216,765
Net investment income (loss)	**4,862,549**	(4,120)
Transfer	**(2,644,203)**	2,220,885

10. COMMITMENTS

The minimum rentals payable under long-term operating leases, exclusive of certain operating costs for which the Organization is responsible, are approximately as follows:

	$
2018	107,000
2019	25,000
2020	3,000
2021	1,000
	136,000

11. CASH FLOWS

Net change in noncash working capital items is comprised of the following:

	2017	2016
	$	$
Accounts receivable	**(120,393)**	12,112
Prepaid expenses	**(17,820)**	5,942
Accounts payable and accrued liabilities	**10,692**	4,500
Subscription and sponsorship revenue received in advance	**-**	(35,496)
	(127,521)	(12,942)

12. FINANCIAL INSTRUMENTS

Risk management policy

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure as at March 31, 2017.

Credit risk

The Organization, in the normal course of operations, provides credit to its users. The Organization does not have a significant exposure to any individual or counter party. The Organization establishes an allowance for doubtful accounts that corresponds to the credit risks of its specific users, historical trends and economic circumstances.

Interest rate risk

The Organization has a line of credit at a variable interest rate. Consequently, the Organization is exposed to interest rate risk as a result of potential rate fluctuations

The Organization manages its portfolio with a view of optimizing its interest income.

The Organization has exposure to interest rate risk on its investments. It manages this risk through careful portfolio management and diversification.

Currency risk

The Organization realizes some of its investment transactions in foreign currencies. Consequently, it is exposed to fluctuations of these currencies. Assets in US dollars are the following:

	2017	2016
	$	$
Cash	**3,677**	4,082

Price risk

The Organization's investments expose it to price risk, since changes in market prices could result in changes in fair value or cash flows of these investments. The maximum risk resulting from these financial instruments is equivalent to their fair value.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization manages liquidity risk by constantly monitoring forecasted and annual cash flows and financial liability maturities, by holding assets that are liquid or readily convertible to cash, and by maintaining access to additional financing from its line of credit.

13. COMPARATIVE FIGURES

Certain figures in the 2016 financial statements have been reclassified to conform with the presentation in the current year.

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